

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03
NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15
AID-05 COME-00 EB-08 FRB-01 TRSE-00 XMB-04 OPIC-06
LAB-04 SIL-01 OMB-01 MMO-04 IGA-02 /103 W
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R 081307Z MAR 77
FM AMEMBASSY PANAMA
TO SECSTATE WASHDC 0952
INFO AMEMBASSY GUATEMALA
USSOUTHCOM
PANCANAL

UNCLAS SECTION 1 OF 2 PANAMA 1588

GUATEMALA PASS ROCAP

EO 11652: N/A
TAGS: EFIN, ECRP, PN
SUBJECT: GOVERNMENT OF PANAMA - CONSOLIDATED NATIONAL BUDGET 1977

REF: (A) PANAMA A-75 (MAY 17, 1976); (B) CERP 0200

SUMMARY: GOP BUDGET FOR 1977 HAS BEEN APPROVED AT APPROXI-
MATELY THE SAME LEVEL AS BUDGETED FOR 1976 ALTHOUGH REVENUES
ARE EXPECTED TO RISE WITH NEW TAXES AND HOPED-FOR RECOVERY FROM
LINGERING ECONOMIC RECESSION. END SUMMARY.

1. GOP HAS ANNOUNCED ITS 1977 BUDGET, WHOSE MAJOR
ELEMENTS, COMPARED WITH 1975 AND 1976, IN MILLIONS OF
DOLLARS ARE SUMMARIZED AS FOLLOWS:

MILLIONS OF DOLLARS			
1975	1976	1976	1977
ACTUAL	BUDGETED	ACTUAL	BUDGETED

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REVENUES	291	314	282	346
EXEPNDITURES	613	684	640	663
CURRENT EXPEND.	283	325	310	321
CAPITAL EXPEND.	330	359	330	342
DEFICIT	322	370	358	317

(CURRENT EXPENDITURES

BREAKDOWN):

MINISTRIES	203	214	208	218
TRANSFERS	38	50	49	37
INTEREST	42	61	52	66

(CAPITAL EXPENDITURES

BREAKDOWN):

ECONOMIC (COMMERCE,

AGRI, ELECT, ETC.)	193	278	240	237
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SOCIAL (HOUSING,

HEALTH, ED., ETC.)	68	68	22	84
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"OTHER"	69	13	68	21
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2. GOP BUDGETED ESTIMATES OF REVENUES FOR 1977 INCLUDE INCOME FROM A NEW TAX SOURCE, THE 5 PERCENT TAX ON COMMODITY TRANSFER (SIMILAR TO A VAT) EFFECTIVE MARCH 1, 1977, ESTIMATED AT \$27 MILLION (PERHAPS OPTIMISTICALLY) AND COMPRISING THE BULK OF THE INCREASE OVER THE 1976 BUDGETED REVENUES LEVEL. BECAUSE ACTUAL 1976 REVENUES FELL SHORT OF BUDGETED LEVEL BY 10 PERCENT, IT IS CLEAR THAT GOP IS RELYING ON EXPECTATIONS OF A SIGNIFICANT BUSINESS UPTURN IN 1977. THE DEGREE OF ECONOMIC RECOVERY WHICH WILL BE SEEN IN 1977 IS OF COURSE QUESTIONABLE, AND REVENUE ESTIMATES MUST BE VIEWED WITH THE SAME DOUBT.

NOT INCLUDED IN THIS BUDGET ANALYSIS ARE COSTS OF AMORTIZATION OF NATIONAL DEBT AND LENDING OPERATIONS OF GOP-FINANCED INSTITUTIONS PLUS AGRICULTURAL COMMODITY PURCHASE PROGRAMS. BY THE SAME TOKEN, FUNDING FROM UNCLASSIFIED

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NON-REVENUE SOURCES SUCH AS CAPITAL BORROWING (PRIMARILY TO FINANCE CAPITAL EXPENDITURES) IS NOT INCLUDED IN "REVENUES".

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LAB-04 SIL-01 OMB-01 MMO-04 IGA-02 /103 W

-----081720Z 074140 /43

R 081307Z MAR 77

FM AMEMBASSY PANAMA

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INFO AMEMBASSY GUATEMALA

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3. BUDGETED EXPENDITURES FOR 1977 REFLECT SIGNIFICANT FISCAL RESTRAINTS; IN FACT THEY TOTAL LESS THAN THE AMOUNT BUDGETED FOR 1976 (ALTHOUGH SLIGHTLY MORE THAN ACTUAL 1976 EXPENDITURES). BUDGETS FOR CURRENT EXPENDITURES OF ALL MINISTRIES HAVE BEEN HELD TO THE SAME LEVELS OR VIRTUALLY THE SAME LEVELS AS BUDGETED FOR 1976, WITH SLIGHT EXCEPTIONAL INCREASES BEING ALLOWED IN EDUCATION AND HEALTH (ALTHOUGH EVEN THESE INCREASES ARE LESS THAN INFLATION). EDUCATION, OF COURSE, CONTINUES TO BE THE LARGEST ITEM OF CURRENT EXPENDITURES (AT \$73 MILLION).

INCLUDED IN 1977 BUDGETED EXPENDITURES ARE SIGNIFICANT ITEMS FOR TRANSFERS AND INTEREST, WHICH, WHEN COMPARED WITH PREVIOUS YEARS, MAY APPEAR OPTIMISTIC. WHEREAS ACTUAL INTEREST PAYMENTS FOR 1976 FELL SHORT OF THE 1976 BUDGETED LEVEL BY \$9 MILLION, THE BUDGETED LEVEL WENT UP ONLY \$5 MILLION IN 1977. OPERATING DEFICITS OF THE AUTONOMOUS AGENCIES, WHICH ARE COVERED BY THE "TRANSFERS" ITEM IN THE BUDGET, HAVE BEEN BUDGETED AT A REDUCED LEVEL FOR 1977 APPARENTLY BECAUSE OF RECENT INCREASES IN RATE SCHEDULES FOR MAJOR UTILITIES. HOWEVER, BOTH THESE ITEMS UNCLASSIFIED

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WILL LEND THEMSELVES TO FURTHER ANALYSIS.

4. CAPITAL EXPENDITURES FOR 1977 ARE BUDGETED AT \$342 MILLION, COMPARED WITH 1976 FIGURE OF \$359 MILLION BUDGETED AND \$330 SPENT. PRINCIPAL ITEMS INCLUDE CEMENT PLANT (\$50 MILLION), HYDROELECTRIC PROJECTS (\$78 MILLION), AIRPORT (\$25 MILLION), CONTAINER PORT AND FISHING PORT (\$18 MILLION), TELECOMMUNICATIONS (\$10 MILLION) AND CONVENTION CENTER (\$8 MILLION). IN MOST CASES BUDGETED AMOUNTS ARE PARTIAL FINANCING FOR MULTI-YEAR PROJECTS.

BUDGETED CAPITAL EXPENDITURES OFFER THE MOST CONVENIENT AREA FOR FLEXIBILITY DURING THE COURSE OF THE BUDGET YEAR; IN 1976, OF \$68 MILLION BUDGETED FOR "SOCIAL" CAPITAL EXPENDITURES (HOUSING, HEALTH, EDUCATION, ETC.)

ONLY \$22 WAS ACTUALLY SPENT, WHILE "OTHER" EXPENDITURES RAN OVER THE BUDGETED LEVEL BY \$50 MILLION, REPRESENTING FOR THE MOST PART TRANSFERS TO THE CENTRAL GOVERNMENT WHICH ARE NOT RECORDED ELSEWHERE AS EXPENDITURES. CAPITAL ITEMS IN THE SOCIAL SECTOR, WHILE BUDGETED AT \$84 MILLION FOR 1977 (OF WHICH \$58 IS FOR HOUSING) WOULD APPEAR TO BE A PRIME AREA FOR CONSIDERATION, IF DOWNWARD REVISION OF BUDGET ESTIMATES SUBSEQUENTLY PROVES NECESSARY, THROUGH FOR INSTANCE EXPANDED TIME-FRAMES FOR PROJECT IMPLEMENTATION.

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